GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:3826
ANSWERED ON:19.04.2005
SUBSIDY TO US COTTON GROWERS
Purandeswari Smt. Daggubati

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether WTO appellate body has upheld a ruling disapproving the action of the U.S. Government providing huge export subsidies to the domestic cotton growers; and

(b) if so, the details thereof and the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGOVAN)

(a) & (b): In September, 2002 the Government of Brazil had sought consultations with the US regarding certain subsidies provided by US to its producers, users and exporters of upland cotton. After consultations, in February 2003 Brazil requested for the establishment of a Panel. A Panel was established by the Dispute Settlement Body (DSB) on March 18 2003 to consider claims by Brazil regarding various US measures that Brazil alleged constituted actionable or prohibited subsidies within the meaning of the Agreement on Subsidies and Countervailing Measures, export subsidies within the meaning of Agreement on Agriculture and/or subsidies actionable under Article XVI of the General Agreement on Trade and Tariff (GATT) 1994. The Panel ruled on 18 June, 2004 that the U.S. cotton subsidies violated the obligations of the United States under the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures. Broadly, the Panel had found that U.S. cotton subsidy programmes provided prohibited and actionable subsidies, contrary to WTO rules. The US had appealed the findings of the Panel. In its report made public on March 3, 2005, the Appellate Body has upheld or modified Panel findings.

The Appellate Body has recommended that the DSB request the US to bring its measure, found in its report and in the Panel report as modified by the Appellate Body report to be inconsistent with the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures, into conformity with its obligations under those Agreements.

On 21 March 2005 the DSB has adopted the Appellate Body and Panel reports. Panel and Appellate Body findings are applicable only to the parties of the dispute. India has joined this dispute as a Third Party.

In accordance with the WTO provisions the US will be required to implement the DSB decision within a Reasonable Period of Time (RPT).